

From: [Financial Times <subscription@email.ft.com>](mailto:subscription@email.ft.com)

To: Ehbarak1@gmail.com

CC:

Date: Fri, 1/24/2014 5:48:13 PM

Subject: FT Newsmine: Week Ending Friday 24 January

view this email with images



FT Newsmine

From Geonomica

24 January 2014

[Front Page](#)

[World](#)

[Middle East](#)

[Banking](#)

[Lex](#)

[Comment](#)

[Life & Arts](#)



Highlighting the hidden nuggets you might have missed in the week's news, FT Newsmine provides a snapshot of global market-related data, trends and observations.

Exclusively for Premium Subscribers



January 18-24, 2014

Financial

[On share price increases for companies announcing acquisitions, January 23](#)

Last year, share prices of US companies announcing acquisitions with a value of \$1bn or more rose, on average, more than 4 per cent within a day. The increase is the largest ever recorded by Dealogic, the analytics group, and nearly 50 per cent higher than in 2012. It also highlights the departure from the long-term trend whereby the following day the share price fell every single year between 1996 and 2011.

[On rising UK borrowing costs, January 23](#)

The difference between UK borrowing costs over Germany's hit the highest in eight years after a bigger than expected fall in the UK jobless rate heightened expectations of a rise in interest rates. The yield difference between 10-year UK government bonds and German Bunds touched 113 basis points as Gilt yields rose 5 basis points to 2.89 per cent on Wednesday. The increase followed data from the Office for National Statistics showing the rate of unemployment fell to 7.1 per cent in the three months to the end of November, from 7.4 per cent in the three months to the end of October.

[On corporate cash hoarding, January 22](#)

Of the non-financial members of the S&P Global 1200 index, just 32 per cent of companies held 82 per cent of the aggregate cash pile, the highest level since at least 2000. With nearly \$150bn in its coffers, Apple alone was sitting on about 5 per cent of the total at the end of its fiscal year. Such concentration has increased since 2007 when companies that held more than \$2.5bn in cash or "near cash" items – not including debt – accounted for 76 per cent of the aggregate cash pile in 2007.

[On the end of the bull market in gilts, January 22](#)

Benchmark 10-year bond yields, which have an inverse relationship with prices, are trading at 2.82 per cent, a sharp rise from 300-year lows of 1.43 per cent in August 2012. This doubling of yields from the summer of 2012 has led some to conclude that the Gilts bull run, which dates back to the early 1990s, has now run its course.

[On the US banking system, January 21](#)

The number of banks in the US has dwindled from 8,533 just before the onset of the crisis in late 2007 to 6,891 at the end of last year, according to data from the Federal Deposit Insurance Corporation. That figure is a little over half the 13,221 banks counted just two decades ago – the lowest since the FDIC began collecting its data in 1934 during the depths of the Great Depression.

[On euro-denominated corporate bond sales, January 21](#)

Sales of euro-denominated corporate bonds from non-European companies have more than tripled since 2011, the height of the eurozone crisis, to reach the \$132bn mark in 2013, according to Dealogic data. The flurry of activity in euro markets, and also sterling, has picked up at the start of the year. Companies such as Brazilian oil group Petrobras, Australia's ANZ Banking Group and Bharti Airtel, the Indian provider of mobile phone services, have helped push total bond sales denominated in those currencies to almost \$18bn so far in January. That is the strongest pace since the start of 2008.

[On European defaults on commercial mortgage-backed securities, January 21](#)

The default rate of "sliced and diced" loans backed by commercial mortgages in Europe has hit a two-year high, highlighting difficulties in resuscitating the securitisation market. Nearly 80 per cent of holders of 31 commercial mortgage-backed securities, representing €2.3bn in loans and which were due to mature in the last quarter of 2013, failed to repay their principal completely, according to Moody's, the credit rating agency. The figure, driven upwards by high levels of leverage, is the highest quarterly default rate for two years.

[Tracy Alloway on sales of commercial mortgage-backed securities, January 18](#)

Sales of CMBS totalled \$102bn last year, the highest since the financial crisis, and issuance is expected to increase further in 2014.

[On PIK bond issuance, January 18](#)

Investors fretting the corporate credit market is becoming overheated have pointed to the return of boom-era 'payment-in-kind' debt. Indeed, one of the 'frothy signs', identified by RBS analysts, is the issuance of nearly \$7bn of PIK bonds in Europe last year, the highest level since the financial crisis. Unsurprisingly, issuance of PIK debt collapsed during and after the global financial crisis. According to Dealogic, the number of global PIK deals plunged from 37 in 2007, worth a total of \$17.8bn, to just two in 2010, worth a total of \$366m – both in the US. But last year saw a strong recovery in the global PIK market, with 39 deals worth a total of \$15.3bn – more than three times the 2012 total. European PIK issuance also shot up from \$503m in 2012 to \$6.8bn last year, accounting for a much greater share of the global market than in previous years.

Asia

[On China becoming the world's top gold consumer, January 24](#)

China has overtaken India as the world's largest gold consumer thanks to soaring purchases of jewellery, minted Panda coins and small gold bars. According to the Thomson Reuters GFMS gold survey, the most widely followed report on the industry, Chinese demand reached 1,189.8 tonnes last year, a 32 per cent year-on-year jump and a fivefold increase since 2003.

[Lex on China's banking system, January 21](#)

China's banks are trading at a weighted average price of just 0.9 times their expected 2014 book value, according to CIMB, versus a long-term average of 1.8 times. Most other bank sectors in the region are at or just below their mean. Across the region historically, price/book ratios of one equate to a return on equity of 10 per cent and levels nearer two with an ROE of 20 per cent. Yet China's big four – Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China and China Construction Bank – all offer ROEs of 20 per cent or more. That suggests their valuations discount a lot of bad news.

Miscellaneous[On US demand for oil, January 22](#)

US demand for oil grew by more than China's last year for the first time since 1999, according to the International Energy Agency, giving the strongest indication of how abundant energy supplies are driving an economic resurgence in the US. The IEA – the developed world's energy body whose forecasts are the gold standard for the energy market – said US oil demand rose by 390,000 barrels a day last year, or 2 per cent, reversing years of steady decline. Chinese demand rose by 295,000 b/d, the weakest in at least six years.

[Mark Lewis on US oil consumption, January 21](#)

US oil consumption rose by 900,000 barrels a day in September, the fastest rate of growth in nearly a decade. Moreover, from data for 2013 released by the EIA recently, it is now clear that US demand not only increased last year, but accelerated rapidly over the course of the year. Full-year growth in 2013 US oil consumption was 1.7 per cent, but year-on-year growth in the second half was 3.2 per cent and in the fourth quarter 3.8 per cent. Total demand in the week of December 13 was just shy of 21mbd, the highest weekly consumption figure for almost six years. Indeed, fourth-quarter demand of 19.7mbd was in line with the average annual consumption registered in 2008.

[On the gap in energy prices between the EU and US, January 21](#)

The gap in energy costs between Europe and its leading trading partners is widening, according to an official paper to be released by Brussels that shows industrial electricity prices in the region are more than double those in the US and 20 per cent higher than China's. Industrial gas prices are three to four times higher in the EU than comparable US and Russian prices, and 12 per cent higher than in China, says the European Commission paper, based on the most comprehensive official analysis of EU energy prices and costs to date.

[On deflation, January 20](#)

In the eurozone, core inflation, which excludes more volatile items such as food and energy costs, fell to a record low of 0.7 per cent in December – less than half the ECB's target of just below 2 per cent. At 1.5 per cent, US inflation is also significantly below the Federal Reserve's target. Even in the UK, where prices have risen far more quickly in recent years, inflation is now falling, hitting the Bank of England's target of 2 per cent for the first time in four years last month.

[Manage Your Account](#)[Tools and Services](#)[Mobile Apps](#)[Email Briefings](#)[Portfolio](#)

You're receiving this weekly email briefing as part of your FT.com Premium subscription. To stop receiving this briefing please [update your subscription email preferences](#) (You may need to log in). This email was sent to Ehbarak1@gmail.com.

We take your privacy seriously, to read our Privacy Policy [click here](#).

If you have any customer service queries or questions about your subscription please [contact us](#).

We use pixels in HTML emails (not in plain text emails) to tell us if the email is opened or links in it are clicked on. The pixel will

be deleted if you delete the email. See our [cookie policy](#) for more information.

© THE FINANCIAL TIMES LTD 2014 FT and 'Financial Times' are trademarks of The Financial Times Ltd.
Registered Office Address: The Financial Times Ltd, Number One Southwark Bridge, London SE1 9HL.
Registered in England, Registration No: 227590.